Ben Swinburne: Okay, right on time. We're going to get started. Good morning. For important disclosures, please see the Morgan Stanley research disclosure website at MorganStanley.com. If you have any questions, please reach out to your Morgan Stanley sales representative.

Really excited to kick off TMT Day 4, at least on our end, with Lachlan Murdoch, Chairman and CEO of FOX Corporation. Lachlan, thanks for coming back.

Lachlan Murdoch: Thank you. Good morning, Ben.

Ben Swinburne: Good to see you.

Lachlan Murdoch: Good to be here. I guess it's been a year since we were here last, so I just want to say thank you. I'm very appreciative to have the opportunity to talk to everyone. Thank you.

Ben Swinburne: Absolutely. I want to start with some higher-level strategic questions. As most people are aware, FOX made a decision years ago to really not kind of chase the streaming prize. All this week, we've been talking about streaming with a lot of your peers or competitors who are now I think revisiting a lot of those strategies. But obviously, there are also known challenges to the Pay TV landscape. When you think about the biggest opportunities for growth for FOX, what are you most excited about?

Lachlan Murdoch: Well, Ben, you're exactly right, we've taken at FOX a contrarian strategy when it comes to streaming and how we monetize our brands and our content. I think sitting here, I assume it was almost exactly a year ago, I alluded to this bloodshed in this sort of gladiatorial battle that was happening in streaming. Particularly, obviously, in subscription video on demand. As the year has passed, the analogy comes back and refreshes in my mind all the time. We see ourselves, like I think I alluded to this before, it's like the Monty Python Life of Brian scene in the coliseum where the gladiators are chopping each other's arms off and there's blood splaying everywhere. And it's the poor little guy, the smallest guy who runs away from them all and runs away from the bloodshed that ends up surviving and winning the day.

I feel like we're the little guy. We're going to be the ones that survive because we haven't had our arms or legs cut off and bled out. We think it's a good strategy. We're not going
to go up against Disney or Netflix or Prime in terms of trying to launch an entertainment subscription business. And in fact, the whole thesis behind our sale of our entertainment assets to Disney, now sort of almost 4 years ago, was based on this. We could give our entertainment assets to Disney and really create a winner in the SVOD space while simultaneously focusing ourselves on our core brands which are really focused on live news and live sports.

That comes back to your question as to what are the big opportunities for us. Well, because we're so focused on live news and live sports, because that's where audiences are pivoting to and advertisers are pivoting to, that gives us tremendous comfort in our ability to drive pricing, both on our distribution platforms with cable operators and retransmission, but also in advertising.

We see our core businesses as very robust. And importantly, very resilient, particularly through the last couple of tough years for the industry. And we also see the future of those businesses around, I know we're going to talk a lot about Tubi coming up, but we have a great digital strategy in advertising video on demand. We're not chasing subscribers, but we're very focused on advertising. And we love the position that Tubi is in which is free. For 99% of America between the coasts, free is a great proposition and a great place to be operating in.

Ben Swinburne: Lachlan, you mentioned the strength of your networks and the ability to drive pricing. We had Comcast and Charter here yesterday, and a lot of the Pay TV providers, they're sort of deemphasizing video to some extent strategically. How are you feeling about the opportunity? Because you're now entering, you're at the beginning of a renewal cycle for your networks on the distribution side. How are you feeling about the opportunity to drive price right now in this environment? And any comparison to how you felt when you went through the last one, which I think was maybe 3 or so years ago?

Lachlan Murdoch: Yep. We're at the beginning of an important cycle for us. I think this coming year, we have about 1/3 of our distribution volume sort of up for negotiation. If we look at the past couple of years, and particularly in the past year, we feel incredibly confident about our ability to drive pricing going forward. The reason we feel that way, we combine in our negotiations our cable distribution deals with retransmission for our broadcast stations with cable. We sort of combine -- we separate them when we report, but we combine effectively broadcast retransmission and cable distribution together in those negotiations.

In our spin in 2019, we committed in our first Investor Day, we committed to $1 billion of incremental, incremental retransmission revenue as part of that spin. We were very happy to achieve that $1 billion target of incremental revenue last year. That really goes to and illustrates the strengths of our brands and I think the prudence of our strategy.

In the smaller, specific deals we've done in recent history, in the past year, I think we've really had industry leading pricing and industry leading terms. And that goes to, again, the power of live news, live sports, and also great entertainment that we produce.

Ben Swinburne: That's great. Just going back to your Monty Python anecdote, the little guy, reminds me that you always get asked about scale at FOX and sort of the need for scale. I did think a little bit on the last earnings call it came up. The FOX and now abandoned but proposed idea of considering merging FOX with NewsCorp, I thought reflected an interest in more scale. Feel free to push back on that. I guess the question is, do you think FOX has enough scale to maximize the opportunities in front of it? For example, sports betting is an area you guys are excited about. How could scale help you in an area like that?
Lachlan Murdoch: I should know this, and I apologize, but was it your question on the last earnings call or someone else?

Ben Swinburne: It was not. It was not.

Lachlan Murdoch: Okay, you're having a second bite at the apple. I must have not answered it wholesomely enough the first time.

Ben Swinburne: This is the first time I'm asking.

Lachlan Murdoch: The first time. All right, so -- thanks for the question. Look, I think scale for scale's sake is often a mistake. But if you can have strategic scale and scale that really informs and reinforces your existing businesses, I think makes an incredible amount of industrial logic. If I look at our businesses today though, we are incredibly pleased with where we are. I think we have an industry leading balance sheet and our core brands, again, being focused on live news and live sports, which is where audiences are highly engaged, our core brands are doing incredibly well. Even through, again, sort of a difficult couple of years for the industry. We are very, very pleased about where we sit and the way our businesses are performing today.

Having said that, when we look at capital allocation, we're clearly looking at how to drive accretive shareholder returns. And part of that will always be sort of inorganic growth. Through sort of mergers and acquisitions. We'll continue to look at accretive growth utilizing our full toolset of strategic options.

The proposed merger, which wasn't really a proposed merger because there was never a proposal that eventuated. It was a suggestion that this could be something that's worth looking at. But that suggestion for a merger with NewsCorp was really based on driving accretive value and driving shareholder returns in the long term. And when we looked at that, it was really about combining tremendously strong content verticals in news and entertainment and sports across multiple geographies that we thought made tremendous logic. Now, we've moved on from that and I think both companies are focused on their own things, and we've dropped that as a concept. But whatever we do, we'll be focused on those core things of driving accretive value and driving long term shareholder returns.

Ben Swinburne: Okay, makes sense. Let's talk about some of those core brands you were just mentioning. I want to start with sports. The debate around sports is it's obviously attractive given you have a passionate audience that you can monetize. It's driving the television industry to put it mildly. But obviously, you're also not the owner of those rights, you're a renter, so you'd have to go back and pay more. FOX and NewsCorp have navigated that for decades around the world. How would you describe FOX's sports portfolio? Why do you have the sports you have? Why does it strategically fit with what you and Eric have put together? And how does it position the company for growth?

Lachlan Murdoch: We have a leading sports portfolio obviously, and if you look at the way we look at it, we look at the core sports that are fundamental to driving our business, both our ability to drive pricing in cable distribution deals, so driving price in sports is very important. Particularly the NFL, Major League Baseball, Big 10 Network. And also, driving premium advertising revenue in those big scaled, hugely popular sports. Those are the critical ones.

We've just renewed I think Major League Baseball, or Major League Baseball deals, and
our Big 10 Network deal goes out to the end of the decade. Our NFL deal, the latest renewal takes us to 2033. We feel very -- we feel like we're in a very strong position and good place with those core sports that really drive the underlying value of the FOX Sports business. We now have multiyear, long multiyear contracts. And that ensures our ability, again, to drive pricing, both in distribution and in advertising.

Ben Swinburne: How are you thinking about distribution of your sports IP? Both your ability to, and also desire to, outside of a bundle? Cord cutting means that there's more and more homes in the United States who can't access a lot of your sports content.

Lachlan Murdoch: Yeah. A lot of media companies, our competitors and colleagues at other companies, have moved sports into their SVOD services. We don't think this is a good strategy. Certainly not good for us. I don't want to talk for others, but I think the impetus for that has often been to drive subscribers in those SVOD services. Where content hasn't been enough, entertainment content hasn't been enough, so they put sports in to continue to drive subscribers into those services.

We don't have a general entertainment underperforming SVOD service, so we don't need to put sports in. The value for us is to keep those sports exclusive to our broadcast signal and our broadcast partners and affiliates. And to, importantly, our MVPD, our cable and satellite and digital MVPD partners. Because that, by keeping our sports exclusive to those platforms, is what really drives us to increase pricing and industry leading terms as we renew those deals. As long as those sports drive that value and ultimately drive the value for our partners, our distribution partners, we're going to keep our sports exclusive on those platforms.

Ben Swinburne: Okay, that makes sense. You have a partnership with WWE. They've been on FOX Friday nights on broadcast for some number of years now. They have announced a plan to strategically review the company which could lead to a sale. What are your thoughts on the evolution of your partnership with WWE and how does that fit into your broader sports entertainment offer?

Lachlan Murdoch: I don't think there's an evolution of the partnership. I think they've been great partners. They've been great partners throughout our partnership, our relationship. If they ultimately sell the business, I hope the acquiror, I'm sure the acquiror will be as good a partner as they have been. I hope the management team stays intact there, because they've done a tremendous job.

From a rights point of view, we're focused on their rights renewal. We are ready. We haven't engaged with them on the rights yet. We're ready to engage with them when they ask, when they are ready. But ultimately, our appetite for renewal depends on what happens with the rest of our sports portfolio.

Ben Swinburne: Speaking of sports, how should we think about the USFL opportunity at FOX? Which some may not realize you own.

Lachlan Murdoch: The USFL is a spring American Football League which we resurrected like a phoenix and it's doing very well. It's only had one season, last year, and we're incredibly pleased with how that season performed. We had tremendous ratings. We broadcast it not just on FOX, but NBC broadcast it as well, so we could give it the maximum possible reach. And I think the ratings really go to illustrating the appetite for spring football in this country. We are incredibly pleased with it.
We rolled it out with a view to long term and sort of incremental manner with originally with one central hub where the games were played. This year we're moving to 4 central hubs. We're gaining a lot of blue chip kind of corporate sponsors in the advertising and the partnerships with the league and so we are excited for the second year.

Ben Swinburne: Okay. Maybe just one last one on the FOX broadcast side. On the entertainment front, that's been an area where you guys continue to invest. But how do we think about the strategy for FOX Entertainment and whether you need to continue to grow your content spend to sustain the healthy network?

Lachlan Murdoch: It depends on how you define a healthy network.

Ben Swinburne: Profitable.

Lachlan Murdoch: I define a healthy network as profitable. Thank you, you're on the same page there. Rob Wade is our new CEO of FOX Entertainment. He came from the reality side, the unscripted side of the business. He's newly installed in the chair and he's doing a tremendous job and his team around him is doing a tremendous job. The business will continue to invest in both scripted and unscripted programming. That will mean we'll take creative risks, but always on an eye to be prudent and to drive profitability in that business.

Having said that, when we look at FOX Entertainment, which is the broadcast network, it really provides the glue and the bonding agent between the entertainment network. Our stations are highly profitable television stations. Tubi, it drives value to Tubi. It also works very closely with sports and news. The smaller, more focused FOX, we see a lot more marketing and advertising sales synergies through all these businesses, and then the entertainment network is something that just fits across all.

Ben Swinburne: Okay. Let's shift gears to FOX News. I want to ask you about the business. How would you describe the sort of strength, relative strength of the brand and the business today? Particularly relative to CNN and MSNBC.

Lachlan Murdoch: This is the softball question. It's doing very well. FOX News, the position of FOX News is, if you research or you talk to focus groups with any of our viewers, they see FOX News as not just a news channel, but really a channel that speaks to middle America and respects the values of middle America. As a media business that is most relevant to them as opposed to simply a news channel. The brand is incredibly strong. And that's why we've launched new businesses off of FOX News. Under the FOX News Media umbrella, we have launched FOX Weather which is doing incredibly well as a FAST channel advertising focused channel, and FOX Nation, which is a small SVOD, a Subscription Video on Demand Service, for FOX News. It sits alongside as complementary programming to FOX News. Those businesses have done incredibly well.

But obviously, that's really because the core business is incredibly strong. If I look at just February, so a few days ago, the end of February, we finished February not only beating MSNBC, specifically to the point of your question, MSNBC and CNN combined, but we finished February as the highest rating channel. Not just news channel, but channel in all of cable television in the United States. And this is really led off the strength of our programming. The strength of shows like The Five. People will be surprised, but the number one news show in America is The Five, and it's a great, energetic show, panel show, that has opinions from all sides of politics. It's probably one of the reasons why FOX News has the best demographics and the best diversity of any news channel.
We have more Democrats and Independents watching FOX News than watch CNN or watch MSNBC. More Democrats watch FOX News than watch CNN or MSNBC. We have more Hispanics watching FOX News. We have more Asians watching FOX News than watch CNN or MSNBC. The position of the channel is very strong and doing very well.

And this is really important that -- it's a credit to Suzanne Scott and all of her team there. They've done a tremendous job of running this business and building this business. I think you might have asked me in the past, what's the moat around FOX News? How easy or hard it is to sort of maintain this leadership. And the truth is, I can talk about it and you might not -- you might agree with it or not, but if you look at CNN, and this is widely known, CNN sort of struggles at the moment. CNN has a terrific management team as well. They have a great owner. They have deep pockets. And yet it's hard for them to get traction, this is a hard business to run and I think Suzanne Scott has just done a tremendous job.

Ben Swinburne: I wanted to ask you about the Dominion lawsuit. It's obviously been in the press a lot, especially lately. Is there anything you can share with the audience on that situation?

Lachlan Murdoch: I think the update, the short update is it goes to court in April, so we'll all be waiting for that. I think fundamentally what I'd just say about it is that a news organization has an obligation, and it is an obligation, to report news fulsomely, wholesomely, and without fear or favor. And that's what FOX News has always done and that's what FOX News will always do. I think a lot of the noise that you hear about this case is actually not about the law and it's not about journalism. It's really about the politics. And that is unfortunately, more reflective of just the sort of polarized society that we live in today.

Ben Swinburne: Anything else on the timeline? You mentioned April, but is there any other dates we should be keeping in mind?

Lachlan Murdoch: It starts in April and it will go several weeks.

Ben Swinburne: You mentioned a couple of times Tubi which is a business in the FAST industry that's been talked about a lot at this conference as well. What differentiates that asset, both to consumers and advertisers? And with Netflix and Disney now coming into the ad supporting tiers, does that create a more competitive backdrop for Tubi that may slow the growth down?

Lachlan Murdoch: A few parts to this question. Tubi -- I don't know how much detail you want me to go into, but Tubi is very differentiated for a couple of different reasons. First of all, well first of all to the consumer, it's a video on demand service. It's not really a FAST channel service. It's very different for example from Pluto which is more sort of streaming kind of loop channels. Every -- and the second part of this that's important from a consumer point of view is that it has the largest library by far of any video on demand service in the world. It has over 50,000 titles, which is a factor of 4x or 5x larger than Netflix for instance. But they are all library titles, which is what keeps the cost down.

From a consumer point of view, it's the largest number of channels, it's on demand, it has very intelligent AI that can suggest to you what you might want to watch. And it's free. Which again is a great position. The quid pro quo for being free is that there's a few minutes of advertising, which most people, by far the largest majority of people, are willing to accept. Because of that and because of the high engagement on Tubi, because
you have to -- like 90% of people on Tubi that are our total viewing time or time spent
viewing, are actually people that flip to watch that TV show or click to watch that movie,
so there's very high engagement with our viewers. Which makes that interaction
incredibly valuable to advertisers. That's what makes Tubi so unique and it's different
from any of the other AVOD players and obviously different from SVOD players.

A lot of the new volume that's coming into the market, a lot of the new advertising
opportunities, are sort of a hybrid or combined between SVOD players that have decided
to launch AVOD options, AVOD tiers within their SVOD service. We think that's great.
We think ultimately, when some of them like an HBO or something can help drive up
CPMs, that's fantastic. We think it will help Tubi in the long run. But we also like the fact
that we are the only true video on demand service that's entirely focused, at least the only
one at our scale, that's entirely focused on advertising. It's always been focused on
advertising. It actually started as an ad tech business when it was launched 8 or 9 years
ago. We think it's a tremendous space to be in and we think it's -- and we can see it in the
performance, both in performance of total viewing time and in the advertising
performance. We can see the results very tangibly.

Ben Swinburne: I wanted to -- you touched on advertising a bunch there. I just wanted to step back and
ask you about advertising kind of broadly across the company. There's been a lot of
commentary at this conference about a generally weak macro advertising environment,
particularly in digital. What can you tell us in terms of an update around your footprint
and what you're seeing?

Lachlan Murdoch: We are in an odd situation. It's a good situation, but it's different from the rest of the
industry in that once we got through the Super Bowl and in fact we had Daytona 500 the
week after, the weekend after the Super Bowl, we rode, we had already ridden about 80%
of our advertising for the fiscal year. We're now in a quiet time for advertising. We don't
have a lot of impressions that we're selling. We're in a bit of a different position from
others who are trying to flog their wares now.

For us, it's been an incredibly strong advertising year. We had a record Super Bowl, third
highest rating Super Bowl and very close to beating a record, third highest rating Super
Bowl in history. Brought $600 million across the company of revenue on Super Bowl
Sunday. You combine that to great playoff games, you combine that with the World
Series earlier, and the soccer World Cup, we had a tremendously strong advertising
portfolio and performance over the last few months. We really haven't seen the weakness
that some other people have started to see.

Having said that, as we get towards, even in this quiet period, returning our thoughts
towards our upfront which is in May, and how we negotiate with the ad agencies and our
different advertising partners. As we do that, we're keeping a close ear to the market. And
what we're seeing is mixed depending on the category. We're seeing automotive back to
being a very strong category. Travel, back to being a very strong category. And the other
category that's really picked up, and I'm thinking you told me, Ben, that a lot of people
think about entertainment and the movie business as being back, we're absolutely seeing
that in our revenue. The entertainment business and movies are back advertising very,
very robustly. We're seeing a lot of strength in certain categories, and that's partially
offset with some weakness around finance, around some consumer packaged goods
because of inflation. There are categories like that where there is also -- I think tech,
actually there's some weakness in some of the tech sectors. We're seeing a bit of a mixed
bag. Overall, we think it's going to be healthy upfront, but you're going to see differences
category to category.
Ben Swinburne: Got it, that's very helpful. We've only got a couple of minutes left and I want to make sure --

Lachlan Murdoch: The timer has been on like fast forward. You cut the time back this year, so --

Ben Swinburne: We did. I want to make sure we had a chance to talk sports betting which I know is a big strategic focus for you and the company. How are you -- sort of give the audience a sense of your exposure to the sports betting growth in the U.S. and sort of your long term vision for how FOX evolves there.

Lachlan Murdoch: We have two exposures to sports betting in very different sort of categories. One, it's a simple one that I think all big media companies have, but particularly companies that are focused on sport, and there's no other company that's as focused on sport as we are, but we are in a tremendous position to capture advertising, marketing revenue from some sports betting. That's really boomed over the last couple of years. Unfortunately, with California not -- that advertising was shifting to national advertising as opposed to local market by local market. Because of our station footprint, we really gained very strongly local market to local market. That was shifting to national. It's now sort of gone back to local markets and that's been soft as it's shifted back. But also, our other exposure is obviously our option in FanDuel. When we created FOX Bet and then the Stars Group which we created FOX Bet with as a joint venture was bought by Flutter, we were able to garner an 18.6% option into FanDuel which is obviously the leading sports betting operator in the United States. That's a 10-year option. We think it's worth billions of dollars and so we have our chips placed in I think the winning operator and we have an option which we will exercise at some point over the next 10 years, but we're in no rush to do so.

Ben Swinburne: That's great. Well, Lachlan, I really appreciate you coming back. Any last comments for the audience before we wrap?

Lachlan Murdoch: No. Look, thank you, everyone, for having the patience to listen to me, and I look forward to actually meeting with a lot of you during the year and coming back next year, Ben. Thank you very much.

Ben Swinburne: Thanks, everybody.

Lachlan Murdoch: Thank you.